



**REPORT TO FERNWOOD WATER LOCAL SERVICE COMMITTEE
MEETING OF MONDAY, 20 OCTOBER 2008**

SUBJECT HIGHLAND / FERNWOOD WATER CAPITAL PROJECT - FERNWOOD WORKS

PURPOSE

To provide the Fernwood Water Local Service Committee (FWLSC) with a summary of anticipated expenditures for Fernwood to participate in the Highland water treatment plant project.

BACKGROUND

The FWLSC, to participate in the proposed construction of a new dissolved air floatation (DAF) water plant as being constructed by the Highland water local service area, will need to obtain the assent of the electors, by way of referendum, for CRD to borrow approximately \$195,000 over 15 years. The works include a contribution to the Highland water plant project, a share in the costs to interconnect the two systems and upgrade works to bring the distribution system to a similar operating level as is proposed for Highlands. This would include installation of some isolation valves and replacement of water meters to radio read units.

FERNWOOD CAPITAL COSTS

The Fernwood borrowing required is calculated as follows:

Cost of Interconnect to Highland Plant	\$46,500	(net of grant)
Share of Highland Plant Cost	\$99,920	(shared based on Parcels)
Valve installations	\$20,000	(to isolate leaks on system)
Meter Upgrade Program	\$50,000	
Referendum	<u>\$5,000</u>	
Total Capital Costs	\$221,420	
Less Reserve Funds	-\$27,339	
Fernwood Borrowing	\$195,000	

COST OF BORROWING

The annual cost of borrowing is projected to be \$21,338. This annual borrowing equates to a new parcel tax of \$288, which would be implemented for the 2010 year.

JOINT HIGHLAND / FERNWOOD OPERATING BUDGET

CRD staff have prepared a new budget for 2010 which would combine the operations of the Fernwood and Highland water services. Details of the new budget are as follows:



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2. That the FWLSC refer the matter back to staff for more information.

FINANCIAL IMPLICATIONS

The cost for the referendum process is estimated to be approximately \$10,000 for the two water districts, shared equally (\$5,000) as part of the capital works project. Should the referendum fail, the costs would be recovered from the 2009 operating budget. The capital project will result in an increase in the parcel tax to Fernwood residents of some \$288 to fund the annual debt payment. The proposal to combine the two water districts, on completion of the plant, will reduce the present levels of fees and taxes paid by residents by some \$346 offsetting the new parcel tax and reducing overall annual costs to residents by an estimated \$110.

SUMMARY/CONCLUSIONS

The Highland water local service area has proceeded with the supply and installation of a new water treatment facility to replace its aging St. Mary water plant and the construction provides an opportunity for the Fernwood water local service to connect to the new plant at an attractive cost and to then participate with Highlands to merge the two water districts. While the present Fernwood plant continues to be serviceable, new provincial regulations will force the local service to make improvements to its own facilities if it does not participate in the Highlands project. Once the plant is constructed the CRD will merge the two water areas and operate the new plant and the two systems as a new joint venture. To prepare for this time, Fernwood will need to expend reserve and borrowed funds to update its infrastructure, including new meters and some isolation valves. The total net cost of the project to Fernwood has been projected to be \$195,000.

The Fernwood water local service, to participate with and connect to the new Highlands water treatment facility will need to request the CRD Board borrow some \$195,000 in funds through the MFA, and as part of that process the CRD Board will host a referendum on the question. The reduction in costs to Fernwood for the proposed jointly operated system will more than pay for the additional borrowing costs noted.

RECOMMENDATION

That the Fernwood Water Local Services committee request the CRD Board to proceed to seek approval of the electors by referendum to support a borrowing of \$195,000, to be financed through the Municipal Finance Authority (MFA) over 15 years, for the connection of the Fernwood water system to the new Highland water treatment plant.



Gary Hendren, ASCT
Local Services Engineering Coordinator

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